

1997 Tax on Lump-Sum Distributions

G-1

Attach to Form 540, 540NR or 541. Use this form only for lump-sum distributions from qualified retirement plans.

Name(s) as shown on return

Social security number or FEIN

Part I	Complete this part to see if you qualify to use Schedule G-1.	Yes	No
	1 Was this a distribution of a plan participant's entire balance from all of an employer's qualified plans of one kind (pension, profit-sharing or stock bonus)? If "No," do not complete the rest of this form	1	<input type="checkbox"/> <input type="checkbox"/>
	2 Did you roll over any part of the distribution? If "Yes," do not complete the rest of this form	2	<input type="checkbox"/> <input type="checkbox"/>
	3 Was this distribution paid to you as a beneficiary of a plan participant who died after reaching age 59½ (or who was born before 1936)?	3	<input type="checkbox"/> <input type="checkbox"/>
	4 Were you a plan participant who received this distribution after reaching age 59½ and after having been in the plan for at least 5 years before the year of distribution? If you answered "No" to both questions 3 and 4, do not complete the rest of this form.	4	<input type="checkbox"/> <input type="checkbox"/>
	5 Did you use Schedule G-1 in a prior year for any distribution received after 1986 for the same plan participant, including yourself, for whom the 1997 distribution was made? If "Yes," do not complete the rest of this form.	5	<input type="checkbox"/> <input type="checkbox"/>

Part II	Complete this part to choose the 5.5% capital gain election. See instructions. Do not complete this part unless the participant was born before 1936.
	Check this box to choose the 5.5% capital gain election <input type="checkbox"/>
	6 Capital gain part from federal Form 1099-R, box 3. If you are taking the death benefit exclusion, see the instructions for line 6 6 _____
	7 Multiply line 6 by 5.5% (.055) and enter here. If you elect to use Part III go to line 8. Otherwise, enter the amount from line 7 on Form 540, line 23; Form 540NR, line 26; or Form 541, line 21b 7 _____

Part III	Complete this section for the 5-year or 10-year averaging method. If you used a federal averaging method, you must use the same method for California. See instructions.
	8 Ordinary income from federal Form 1099-R, box 2a minus box 3. If you did not complete Part II, enter the amount from federal Form 1099-R, box 2a. See instructions 8 _____
	9 Death benefit exclusion for a beneficiary of a plan participant who died before August 21, 1996. See instructions 9 _____
	10 Total taxable amount. Subtract line 9 from line 8 10 _____
	11 Current actuarial value of annuity, if applicable, from federal Form 1099-R, box 8 11 _____
	12 Adjusted total taxable amount. Add line 10 and line 11. If this amount is \$70,000 or more, skip line 13 through line 16, and enter this amount on line 17 12 _____
	13 Multiply line 12 by 50% (.50), but do not enter more than \$10,000 13 _____
	14 Subtract \$20,000 from line 12 and enter the difference. If the result is zero or less, enter -0- here 14 _____
	15 Multiply line 14 by 20% (.20) 15 _____
	16 Minimum distribution allowance. Subtract line 15 from line 13. 16 _____
	17 Subtract line 16 from line 12. 17 _____
	5-year averaging method
	18 Multiply line 17 by 20% (.20) 18 _____
	19 Tax on amount on line 18. Use Tax Rate Schedule 1 in the instructions 19 _____
	20 Multiply line 19 by five (5). If line 11 is blank, skip line 21 through line 26, and enter this amount on line 27. Otherwise, continue to line 21 20 _____
	21 Divide line 11 by line 12 (carry to four decimal places). See instructions 21 _____
	22 Multiply line 16 by the decimal amount on line 21. 22 _____
	23 Subtract line 22 from line 11. 23 _____
	24 Multiply line 23 by 20% (.20) 24 _____
	25 Tax on amount on line 24. Use Tax Rate Schedule 1 in the instructions 25 _____
	26 Multiply line 25 by five (5) 26 _____
	27 Subtract line 26 from line 20. 27 _____
	28 Tax on lump-sum distribution. Add Part II, line 7, and Part III, line 27. 28 _____

Part III Continued from Side 1.

10-year averaging method. Complete line 29 through line 39 only if the participant was born **before** 1936. Otherwise, enter the amount from line 28 on line 40.

29	Multiply line 17 by 10% (.10).	29	_____
30	Tax on amount on line 29. Use Tax Rate Schedule 2 in the instructions	30	_____
31	Multiply line 30 by ten (10). If no entry on line 11, skip line 32 through line 37, and enter this amount on line 38. Otherwise, continue to line 32	31	_____
32	Divide line 11 by line 12 (carry to four decimal places). See instructions	32	_____
33	Multiply line 16 by the decimal amount on line 32.	33	_____
34	Subtract line 33 from line 11.	34	_____
35	Multiply line 34 by 10% (.10).	35	_____
36	Tax on amount on line 35. Use Tax Rate Schedule 2 in the instructions	36	_____
37	Multiply line 36 by ten (10).	37	_____
38	Subtract line 37 from line 31.	38	_____
39	Tax on lump-sum distribution. Add Part II, line 7, and Part III, line 38.	39	_____
If you used a federal averaging method for the lump-sum distribution, STOP. See instructions in Part III.			
40	Compare line 28 and line 39. Enter the smaller amount here and on Form 540, line 23; Form 540NR, line 26; or Form 541, line 21b.	40	_____

Instructions for Schedule G-1

Tax on Lump-Sum Distributions

General Information

Important Information

California does not impose tax on distributions from qualified retirement plans received by nonresidents after December 31, 1995.

For payments received in 1997 on behalf of decedents dying on or after August 21, 1996, California conforms to the federal repeal of the \$5,000 exclusion for employer-provided death benefits.

A Purpose

If you received a qualified lump-sum distribution in 1997, and meet the age requirements, you can use Schedule G-1 to figure your tax by special methods that may result in less tax.

California law concerning the requirements for special averaging methods on lump-sum distributions is generally the same as federal law. However, your basis in your pension plan for California purposes may differ from your federal basis. If you received a lump-sum distribution from a Keogh plan, the taxable portion of the distribution does not include the contributions not deducted for California purposes. Get FTB Pub. 1005, Pension and Annuity Guidelines, for more information.

Note: For federal purposes, the capital gain is reduced by the amount of related estate tax. Since California has no estate tax, there is no comparable reduction.

Early Distribution. If you received an early distribution from a qualified retirement plan, you may have to pay an additional 2½% tax, unless the distribution meets one of the exceptions. Get form FTB 3805P, Additional Taxes Attributable to Qualified Retirement Plans (including IRAs), Annuities and Modified Endowment Contracts.

B Who Can Use The Form

If you received a qualified lump-sum distribution and were born before 1936 or reached age 59½ before you received the distribution, you can use Schedule G-1. If you received a qualifying distribution as a beneficiary after a participant's death, the deceased must have been born before 1936 or have reached age 59½ for you to use this form for that distribution.

To determine if the distribution qualifies, see the instructions for federal Form 4972, Tax on Lump-Sum Distributions From Qualified Retirement Plans.

C How To Use The Form

Use Schedule G-1 with Form 540, California Resident Income Tax Return or Form 540NR, California Nonresidents or Part-Year Residents Income Tax Return (for individuals) or Form 541, California Fiduciary Income Tax Return (for estates or trusts) to:

- Choose the 5.5% capital gain method by checking the box and completing Part II;
- Choose the 5- or 10-year averaging method by completing Part III; and
- Figure tax using the 5- or 10-year averaging method, which taxes the ordinary income part of the lump-sum distribution as if you received it in equal parts over 5 or 10 years.

5- or 10-Year Averaging Method & Capital Gain Election. If the participant was born before 1936, you can use Part III to choose the 5- or 10-year averaging method to figure your tax on the lump-sum distribution. You can choose either option whether or not you make the 5.5% capital gain election described in Section F.

If the participant was born after 1935 but the distribution was made on or after the date the participant reached age 59½, you can choose the 5-year averaging method to figure your tax on the lump-sum distribution. You cannot

use either the 10-year averaging method or the 5.5% capital gain election.

If you use either special averaging method mentioned above, you must use it for all lump-sum distributions you receive in one taxable year.

Note: Except for the capital gain election, you must choose the same special averaging method for California that you choose for federal purposes. See instructions in Part III.

Distribution Statement. The payer should have given you federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. or other statement that shows the separate parts of your distribution. The amounts you will use from federal Form 1099-R in filling out Schedule G-1 are capital gain (box 3); ordinary income (box 2a minus box 3); total of ordinary income plus capital gain (box 2a); net unrealized appreciation (NUA) in employer's securities (box 6); and, if it applies, the current actuarial value of an annuity (box 8). If you do not have a statement that shows this information, ask the payer for one that does show it.

D How Often You Can Choose

If you choose either the 5- or 10-year averaging method or capital gain treatment for any lump-sum distribution received after 1986, you cannot choose any of these methods for any distribution received in a later year from a plan for the same participant.

Note: For lump-sum distributions received for tax years beginning after December 31, 1999, the 5-year averaging method will be repealed.

If you make an election as a beneficiary of a deceased participant, it does not affect any election you can make for qualifying lump-sum distributions from your own plan. You can also make an election as the beneficiary of more than one qualifying person.

E When You Can Choose

If you choose the 5.5% capital gain method or choose the 5- or 10- year averaging method, file Schedule G-1 with your original or amended return. Generally, you have four years from the due date of your tax return to choose either of the methods.

F Capital Gain Election

The plan participant must have been born **before** 1936 to be eligible for the capital gain election. Only the taxable amount of distributions applicable to pre-1974 participation may receive capital gain treatment. The amount that qualifies for capital gain treatment is shown on Form 1099-R, box 3. If there is an amount on Form 1099-R, box 6 (net unrealized appreciation or NUA), part of it may also qualify for capital gain treatment. See the NUA Worksheet in the instructions for federal Form 4972, page 3, to figure the capital gain part of NUA. Figure the tax using 5.5% instead of the 20% used for federal purposes. If your distribution includes capital gain, you can either:

- Make the 5.5% capital gain election in Part II of Schedule G-1; or
- Treat the capital gain as ordinary income.

G Tax on Prior Year Lump-Sum Distributions

In some circumstances the federal rules for multiple lump-sum distributions do not apply for California. Under California law, if you received a lump-sum distribution prior to 1987 and you received a lump-sum distribution in 1997 that is the only lump-sum distribution you received after 1986, figure your tax on the lump-sum distribution for 1997 separately on Schedule G-1. Do **not** include the lump-sum distribution you received prior to 1987 on Schedule G-1.

Specific Line Instructions

If you received more than one distribution for the same plan participant, add them and figure the tax on the total amount.

If you and your spouse file a joint return and each has received a lump-sum distribution, complete and file a separate Schedule G-1 for each spouse's election and combine the tax on Form 540, line 23; or Form 540NR, line 26.

If you file for a trust that shared the distribution only with other trusts, figure the tax on the whole lump-sum first. The trusts then share the tax in the same proportion that they shared the distribution.

Part II

Line 6

Enter zero (-0-) if your distribution does not include capital gain, or if you are not making the 5.5% capital gain election.

If you make the 5.5% capital gain election but do not take a death benefit exclusion, enter the entire capital gain amount from federal Form 1099-R, box 3.

If you checked the box above line 6, and you are taking the death benefit exclusion, figure the amount to enter using the following worksheet:

Death Benefit Worksheet

- Enter the capital gain amount from Form 1099-R, box 3 (if you elected to include NUA in taxable income, enter the amount from line G of the NUA Worksheet in federal Form 4972 instructions). _____
- Enter the taxable amount from Form 1099-R, box 2a (if you elected to include NUA in taxable income, add the amount from Form 1099-R, box 6, to the amount from Form 1099-R, box 2a, and enter the result here). _____
- Divide line A by line B and enter the result as a decimal _____
- Enter your share of the death benefit exclusion* _____
- Multiply line D by line C _____
- Subtract line E from line A. Enter the result here and on line 6 _____

*If there are multiple recipients of the distribution, allocate the \$5,000 maximum death benefit exclusion among the recipients in the same proportion that they share the distribution (the \$5,000 death benefit exclusion for employer-provided death benefits applies only for decedents who died prior to August 21, 1996).

Enter the balance of your allowable death benefit exclusion in Part III, line 9, and see the instructions for line 9.

Part III

If you used a federal averaging method for the qualified lump-sum distribution, you must use the same method for California. In this case:

- To figure 5-year averaging complete line 8 through line 28.
- To figure 10-year averaging complete line 8 through line 17, and line 29 through line 39.

Enter the result of the 5-year averaging from line 28, or 10-year averaging from line 40, on Form 540, line 23; Form 540NR, line 26; or Form 541, line 21b.

Line 8 – Community property laws do not apply to figuring tax on the amount you report on line 8.

If you made the capital gain election, enter only the ordinary income from Form 1099-R on this line. To figure this amount, subtract Form 1099-R, box 3, from Form 1099-R, box 2a. Enter the result on line 8. If you included NUA in taxable income, then add the amount from line F of the NUA Worksheet in federal Form 4972 instructions to the ordinary income amount computed previously.

If you did not make the capital gain election (Part II) and did not elect to include NUA in taxable income, enter the amount from Form 1099-R, box 2a.

If you did not make the capital gain election but did elect to include NUA in your taxable income, add the amount from Form 1099-R, box 2a, to the amount from Form 1099-R, box 6. Enter the total on line 8. On the dotted line to the left of the entry, write "NUA" and the amount of NUA included.

Line 9 – If you received the distribution in 1997 because of the employee's death that occurred prior to August 21, 1996, you may exclude up to \$5,000 of the lump sum from your gross income. However, if part of the death benefit exclusion was allowed in Part II, you must reduce the allowable exclusion by the amount on line E of the Death Benefit Worksheet.

If the trust for which you are filing shared the lump-sum distribution with other trusts, it will share the exclusion in the same proportion as it shared the distribution. This exclusion applies to the beneficiaries or estates of common-law employees, self-employed individuals and shareholder-employees who owned more than 2% of an S corporation.

Line 21 or Line 32 – Decimals should be carried to five places and rounded to four places. Drop amounts 4 and under (.44454 becomes .4445). Round amounts 5 and over up to the next number (.44455 becomes .4446).

Line 19 & Line 25

Use Tax Rate Schedule 1 to complete Part III, line 19 and line 25.

Tax Rate Schedule 1 for Part III, 5-Year Averaging

If the amount on Part III,
line 18 or line 24 is:

Enter on Part III, line 19 or line 25

Over—	But Not Over—				of the amount over—
\$ 0	\$ 5,016	\$ 0.00	PLUS	1.0%	\$ 0
5,016	11,888	50.16	PLUS	2.0%	5,016
11,888	18,761	187.60	PLUS	4.0%	11,888
18,761	26,045	462.52	PLUS	6.0%	18,761
26,045	32,916	899.56	PLUS	8.0%	26,045
32,916	AND OVER	1,449.24	PLUS	9.3%	32,916

Line 30 & Line 36 — Use the tax rate schedule below to complete Part III, line 30 and line 36.

Tax Rate Schedule 2 for Part III, 10-Year Averaging

If the amount on Part III,
line 29 or line 35 is:

Enter on Part III, line 30 or line 36

Over—	But Not Over—				of the amount over—
\$ 0	\$ 3,490	\$ 0.00	PLUS	1.0%	\$ 0
3,490	6,110	34.90	PLUS	2.0%	3,490
6,110	8,710	87.30	PLUS	3.0%	6,110
8,710	11,360	165.30	PLUS	4.0%	8,710
11,360	13,980	271.30	PLUS	5.0%	11,360
13,980	16,630	402.30	PLUS	6.0%	13,980
16,630	19,220	561.30	PLUS	7.0%	16,630
19,220	21,850	742.60	PLUS	8.0%	19,220
21,850	24,460	953.00	PLUS	9.0%	21,850
24,460	27,090	1,187.90	PLUS	10.0%	24,460
27,090	AND OVER	1,450.90	PLUS	11.0%	27,090

Multiple Recipients of a Lump-Sum Distribution

If you shared a lump-sum distribution from a qualified retirement plan when not all recipients were trusts (a percentage will be shown on federal Form 1099-R, boxes 8 and/or 9), figure the tax on your distribution as follows:

Line 8 — Use the table below to determine the amount to enter on line 8 on Schedule G-1.

If in Part II	Is Net Unrealized Appreciation (NUA) included in your taxable income?	— Computation — Use Form 1099-R Amounts
You did not make the capital gain election.	NO	Divide box 2a by the percentage in box 9.
	YES	Add box 2a and box 6. Divide the result by the percentage in box 9.
You made the capital gain election.	NO	Subtract box 3 from box 2a. Divide the result by the percentage in box 9.
	YES	Subtract box 3 from box 2a. Add to line F of the NUA worksheet on page 3 of federal Form 4972 instructions. Then divide the result by the percentage of distribution shown in box 9.

Line 11 — Divide the amount shown on federal Form 1099-R, box 8 by the percentage shown on federal Form 1099-R, box 8.

Line 28 — Complete the following worksheet:

- A. Enter your percentage of distribution from Form 1099-R, box 9 A _____
- B. Enter the amount from line 27 B _____
- C. Multiply line A by the amount on line B C _____
- D. Enter the amount from Part II, line 7 D _____
- E. Add line C and line D. Enter the result here and on line 28 E _____

Line 39 — Complete the following worksheet:

- A. Enter your percentage of distribution from Form 1099-R, box 9 A _____
- B. Enter the amount from line 38 B _____
- C. Multiply line A by the amount on line B C _____
- D. Enter the amount from Part II, line 7 D _____
- E. Add line C and line D. Enter the result here and on line 39 E _____